

Assessor's Audit System Prevents Irregularities

By PHILIP E. WATSON
Los Angeles County Assessor

The day after the property tax scandal broke in the Northern California newspapers last week, the San Francisco Chronicle carried a story headlined "How Los Angeles Avoids the Tax 'Deals'". The story described the organization of my department, particularly in respect to our audit system, and the system of checks and double-checks we have employed in an effort to insure that the irregularities charged in other counties could not happen here.

We began the audit program with an announcement in May, 1963, that, for the first time, business property affidavits on which companies are required to list the book value of all their property were to be rechecked to find out whether the correct values had been reported. We announced that wherever values had been understated, we would not only make an assessment of the escaped value, but would put on penalties as well.

WE ALSO announced that any business which wished to correct its return prior to the time that we notified them that an audit had been ordered, would be allowed to do so without penalty.

The initial results were quite startling. Within a few weeks after the announcement, we had received a quantity of amended affidavits, and the amount of additional value reported represented, in some instances, up to 50 per cent more than had been on the original affidavit.

As a matter of fact, one of the tax agent firms charged in the current investigation with having bribed officials in other counties, came in to our business division with more than 50 amended statements.

HOW DOES OUR audit program differ from the audit programs used in other Assessor's offices? In two very important respects.

First of all, our audit is made after the initial assessment from the affidavit filed by the company with our business division. Most other counties do what they call "auditing" before making the assessment. Under the law, if any changes in the figures reported by the company is made by a deputy assessor, the department is later precluded from making any later escaped or penalty assessment, even if the evidence can be produced to show that the first figures were incorrect.

Secondly, our audit operation is handled by a different group of appraisers from those who made the initial assessment. In other counties, generally, the same deputies both assess and audit.

IN ADDITION to these two checks, we have instituted still another policy which we feel would make it exceedingly difficult for any irregularities to occur in our department. We rotate assignments among the men in both the business and audit divisions so that the same men do not work the same properties every year.

For example, when we pulled our files on one of the companies named as taking

New Photo Studio Open In Center

Harold Sanders, a member of the Professional Photographers Association, has opened his studio at 21940 Hawthorne Ave. in the Del Amo Shopping Center.

Sanders and his wife will operate from a studio on the East Mall in the center.

The 1963 award winner at PPA Western States convention, Sanders served as official photographer for Gen. Ben I. Funk, commander of the Space Systems Division of the U. S. Air Force Systems Command in Inglewood. A member of the Industrial Photographers of Southern California, Sanders won the 1964 IPSC news and public relations award.

He was graduated from the Brooks Institute of Photography, Santa Barbara, in 1959 where he won the highest honors—a one-man show. He has studied at UCLA and has taken several professional courses since his discharge from the Air Force in 1955.

part in some of the deals in other counties, it was interesting that over the last three years, a different man each year in the business division had made the initial assessment and a fourth man had done the audit.

Our audit system is set up on a three-year cycle so that each major company is audit-

ed once during the three-year period. Since the law allows us to audit for the current year and the two prior years, this three-year audit cycle permits us, in effect, to audit each company every year.

IN THE FIRST two years of its operation, the audit program has recovered almost \$90,000,000 in escaped and

penalty assessments. It has also "improved" the accuracy of the figures supplied to us on the business affidavits—in other words, once the word was out that our audit program carried stiff penalties, there was less under-reporting the second year of the audit program than the first year.

Within the last year, we have also set up, with our Standards and Controls Division, an audit of the audit division's work. The S and C group is primarily charged with looking over the audit division work to insure quality standards, but it is also in a position to verify the accuracy of the auditors.

I think it is a credit to these policies, and our staff who carry them out, that our Department has been asked both by the Governor and the Attorney General to help them with the current investigation and to work on a long-term program designed to improve and strengthen the tax structure throughout the state.

AUGUST 4, 1965

PRESS-HERALD

C-3

DISEASES NOTED

Two cases of syphilis and one each of epilepsy and salmonellosis were reported to the Los Angeles County Health Office from the Torrance area for the week ending July 3.

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